Northrop Grumman Information Technology, Inc.
Overview of Deloitte & Touche SAS70 Scoping Approach
July 10, 2006

As part of the planning process for completing a SAS70 examination related to the infrastructure services provided by Northrop Grumman Information Technology (NGIT) to the Commonwealth of Virginia (COVA), we will consider risk and materiality as a basis for establishing the SAS70 scope. We will consider applicable professional standards, such as the AICPA SAS70 Audit Guide and SAS No. 70, *Service Organizations*, as amended (AICPA, *Professional Standards*, vol. 1, AU sec. 324). Such guidance indicates that the Service Auditor is charged with determining whether the scope and control objectives are (a) relevant to financial statement assertions; and, (b) are designed to address potential material misstatements.

A key objective of our planning process will be to evaluate the control environment in a manner such that unusual or unexpected risks of potential material misstatements would be identified during the SAS70 examination. To this end, our scoping process will consider the following:

- Financial materiality
- Areas of financial risk (including non-material systems)
- Interconnections between material and non-material systems
- Risk factors repeated over time (minor risks not addressed year to year may indicate a higher level of risk)
- Risk factors communicated by VITA or APA (user groups),
- Other Risk Factors such as:
  - Regulatory requirements
  - Potential sources of negative publicity
- Randomness (some non-material systems may be selected at random)
- Contractual requirements

Our planning process will utilize several inputs in order to make determinations regarding the scope of processes and controls to be considered. The following list reflects several of the inputs that we expect to include:

- Interviews with VITA/NGIT personnel
- Analysis of Security Survey Completed by VITA
- Interviews of key Agency personnel (AITR, ISO and Internal Audit) coordinated through VITA Customer Relationship Management (CRM)
- Examination of VITA and Agency documentation
- Feedback from the APA concerning applicability to financial audits
- Past audits (both security and financial audits)
- Regulatory requirements